

# NATIONAL REVIEW

## Bulletin

### The End of Dag

p. 1

### The End of the UN?

p. 4

### Gold Rush

p. 6

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**T**he death of Dag Hammarskjöld under tragic and mysterious circumstances imposes upon his critics the responsibility of distinguishing the human from the political aspect of his death, a difficult assignment because the threads are deeply intertwined, and are daily being drawn tighter by cynical and maudlin men. The fact is, Mr. Hammarskjöld died sadly, no doubt in the course of what he understood to be his duty, which he pursued aggressively, and with a devotion to his ideals as well as his ambitions.

But his ideals were not ours, nor would the fulfillment of his ambition—a world state—have served *our* ambition, world freedom. It is important to say that emphatically, lest the sense of personal bereavement which so many people are experiencing should fuel the processes of sanctification of Mr. Hammarskjöld's life and career. We documented his shortcomings, as we understood them, over a period of six years. They derived primarily from the false notion that the world has most to fear from the possibility of war. It has most to fear from the triumph of Communism. Even as he died, Mr. Hammarskjöld was embarked upon a mission that reflected that mistaken premise: he had committed the army of the United Nations, so far as one can judge from the Charter without a shred of legality, to put down the single political force in the Congo which is prepared to take arms against those who would Com-

munist the country. Before he could consummate this act of madness, Mr. Hammarskjöld, a brave man, died violently. *De operibus mortuorum nil nisi veritas.*

The Communists are of course essentially indifferent to the disappearance of Mr. Hammarskjöld, though it continues to pay them to feign great opposition to the former Secretary General. Here is, simply, another opportunity for the Communists. Their search is continuous, like the gyrations of a radar antenna, for the soft spot on the horizon. Having found one, they will, of course, push against it, and see how far they can go. A friend of ours, a close observer of Mr. Hammarskjöld, with a low opinion of his works and a high sense of irony, remarked: "The West, of course, will now look for someone as bad as Hammarskjöld. But we won't be able to find anyone as bad. There are only people worse." In that sense we may in the days to come miss Mr. Hammarskjöld's presence in the United Nations.

## The WEEK

● The State Department has told Maryland it should enact a state law prohibiting racial segregation in public places. The reason: African officials have been insulted. The threat: if this goes on, the United Nations will up and skip the country. Maryland is now in a position to weigh very interesting alternatives.

● Dwight Eisenhower, speaking last week at a testimonial dinner for Senator Dirksen, excoriated the Kennedy Administration for its lassitude, extravagance, and dissension, and for its retreat from established policy on (as an example) Outer Mongolia and Red China. Looking at Cuba, Laos, Berlin, said Eisenhower, the American people are disturbed. Well, there's something disturbing in such speeches by elder statesmen, too, for the question comes up: What did *you* do when *you* were in office? And more: Why don't you assert your influence on up-and-coming members of the loyal opposition to use similar language? "Operation Survival," the round-robin assault on the Administration by a group of conservative freshmen congressmen, was a step in the right direction—but only the first step, and there's a long road to travel. Where in Washington is the vociferous and *official* opposition the present chaos cries out for? What has Mr. Eisenhower done to mobilize it? At least now he has made a start. We'll check in again a month from now and see how far he's taken it.

● Unceasingly in recent months, Senator Dodd has hewed to a hard anti-Communist line in international affairs. Days after the inauguration, he was imploring the President to stand firm on Laos, and he has opposed any compromise on Berlin. He lashed out strongly two weeks ago at the United Nations for its attack on Katanga. ("The UN action against the Katanga regime of President Moise Tshombe has, in effect, established

a police state on the territory of a government friendly to the United States and the Western nations.") Last week, he sealed his disapproval of the present soft policy toward the USSR and its satellites by refusing—for the first time in his career—to vote for the foreign aid appropriations bill. "I cannot support a foreign appropriation bill," he said, "when it contains aid to Communist regimes and aid to the UN forces in the Congo. . . The inclusion of aid and comfort for our Communist enemies and for those who are doing their bidding in the Congo, have poisoned this bill and rendered it unworthy of my support." This attitude, which is now winning Thomas Dodd enemies in high places, is also winning him thousands of friends in the right places.



Behrendt, *Algemeen Handelsblad*, Amsterdam

K: "Berlin isn't the main point!"

● The Edison Electric Institute, the trade association of the investor-owned utility companies in the United States, has announced an \$8 billion program that will allow, by 1970, "all of the major power systems to be capable of operating on an interconnected basis throughout the United States." This is not only a grandly imaginative use of private energy and private association, but also an astute, well timed, and essential gambit in what has become a political issue. For the Department of the Interior has announced that it, too, favors "a national cooperative pooling of electric power"—and you know who'd be running it: Stewart Udall, the famous ticket agent. But the battle isn't won as yet. Even if the private utilities start building a national transmission system, the Central Planners will claim they need to control it. Well, the private utilities are going at the problem with a scheme that gives the greatest prospect of progress. For it is Washington, not the nation, that is backward. The nation for many years has been operating on alternating current. Washington is still DC.

● Fidel Castro's revolution has begun to speed up by "skipping stages," as a favorite theory of Leon Trotsky's expressed it. In Poland even today, after fifteen Com-

munist years, the priests of that Catholic nation are still at hand, and though much handicapped by the hostility of the regime, still able to minister to the faithful. But Castro is impatient. Last week, as his execution squads resumed their breakfast shoots of dissidents, Castro's security police suddenly arrested 136 priests, headed by Bishop Boza—half the meager total that remained in Catholic Cuba. The next day they were herded aboard a ship, for deportation to Spain. Castro's press and TV went into a high-gear anti-religious campaign, denouncing "counter-revolution disguised in a soutane." On this new outrage in Castro's drive to reduce the captive Cuban people to an atomized, faceless, and Godless mass, the President has made no comment.

● A special Turkish court set up by General Cemal Gursel's military junta that last year overthrew the Menderes government, has completed its task of applying the law of the jungle which in our time is gradually reasserting its sway over the world polity, from Nuremberg to Peiping, from Havana to Léopoldville. Six hundred officials of the defeated regime have been thrown into jail for sentences up to life. Sitting September 15 on Yassi island in the fabled Sea of Marmora, the court sentenced to death the chiefs of the losers—former Prime Minister Menderes, former Foreign Minister Zorlu, and former Finance Minister Potalkan. Next morning Messrs. Zorlu and Potalkan were duly hanged. The gallows had to wait 48 hours for Mr. Menderes. He had tried to commit suicide by taking an overdose of barbiturates, and it took the doctors two days of stomach pumps, oxygen and intravenous feeding to bring him back to consciousness. Hanging a man while unconscious is against the law in Turkey and other civilized states.

● In the bleak prison of Thol in southeastern France, guards patrol the grounds by night, with police dogs on the leash. Watch towers are manned day and night, high strings of barbed wire guard several hundred prisoners. A small minority of the prisoners are generals and high ranking officers who headed the revolt against President de Gaulle last April. The rest of the prisoners are civilians, lawyers, legislators, journalists—men suspected of opposing General de Gaulle and his Algerian policies. They are rounded up under the near-dictatorial powers de Gaulle assumed in April, carted off to prison without formal charges and held, sometimes for months, before being brought to trial. The roundup is so widespread that many of the anti-Gaullists have taken to the *maquis*, just as they did in the days of the Resistance; and others have fled the country. A secret radio is operating in the Algerian mountains. The situation has become so critical that one French newspaper suggested that de Gaulle himself might welcome his own assassination—as the only way to insure an honorable place in history.

● They said it couldn't be done, that Senator Strom Thurmond would never get an authorization for a formal inves-

tigation of Pentagon censorship policies. But members of the Senate Armed Services Committee, stunned by a barrage of home-town mail, last week approved the investigation—15 to 1.

● The President has named Mr. K. LeMoyne Billings of New York a trustee of the National Cultural Center, which will be built in Washington to centralize the national culture. Mr. Billings has been perfectly fascinated with culture ever since he first met it, thirty years ago at the Choate School, in the person of his roommate, Jack Kennedy.

## Keep Your Eyes on China

As the UN General Assembly opened its new session in the atmosphere of almost absolute chaos engendered by the death of the Secretary General, the renewed nuclear explosions, the Berlin barricades and the Congo shambles, old hands realized that the key test might very well come not on any of these screaming problems, but on the irrepressible issue of Communist China that has haunted the East River this decade past. To appease or not to appease, that is always the question in the face of the aggressor's demands. And on this question at least—whether to legitimize the outlaw Peiping regime by accepting it under the UN Charter—abject appeasement has been forestalled year after year by the government of the United States, stiffened by the manifest will of its citizens.

The signs are out that this autumn it will take more of the stiffening than ever to keep the backbones of Mr. Kennedy's UN representatives from bending. Fortunately there seems to be a good supply of stiffener still left in the glands of the citizens. Since January, Mr. Kennedy's lieutenants, in public trial balloons and back-stage whispers, have been trying to devise a formula that would reconcile the country to capitulation: "UN admission is inevitable, so why not relax and accept it?"; "two Chinas"; "Peiping in the Assembly, Taipei in the Security Council". . . . No sale. The country, by an overwhelming majority reflected in all but unanimous congressional votes, wants no trucking on this issue to the aggressor's blackmail.

This conviction was again expressed two days after the UN session opened and one mile from its gates. An overflow audience at Carnegie Hall applauded Senator Thomas Dodd, Representatives Walter Judd and Francis Walter, and *NR*'s editor Wm. F. Buckley Jr., speaking under the auspices of the Committee of One Million, as they demanded an American stand strong enough to block UN admission.

Writing in the September 17 *This Week*, Senator Barry Goldwater cut through the appeasement sophistries, and summarized the case against appeasement of Peiping. He went on to propose the method by which the government of the United States can keep her out of the UN: "My

**PEOPLE:** Egide Bochely-David, pro-Lumumbist, pro-Communist official who was sent to Elisabethville with considerable fanfare two weeks ago to run Katanga for the UN command, returned to Léopoldville last week. He had never got beyond the UN-held airfield in Elisabethville. . . . **Gustavo Duran**, Communist activist who fought with Republican army in Spanish Civil War, was later fired from State Department and subsequently landed UN job is, says *Borghese*, advising pro-Communist **Antoine Gizenga** in Stanleyville and helping direct terrorist activities of Angola rebels. (The Angola rebellion is being armed and provisioned from the UN-controlled Congo.) . . . Career diplomats on State Department's African desk—after watching **Soapy Williams** in action—say he's peddling "instant democracy."

The word is that **Adlai Stevenson** and **Chester Bowles** have been nudged out of magic circle of **Kennedy** advisers; that there's little relation between their press coverage and their influence on Administration foreign policy. On inside track now, economist **Walt Rostow**. . . . Aides of Sen. **Strom Thurmond**, after collecting 1,500 copies of speeches by military men which have passed through military censorship, report: anti-Communist speeches are being systematically censored. . . . Getting actively into the fight on the muzzling of the military, Sen. **Andrew Schoeppel** of Kansas, Rep. **Samuel Devine**, Ohio. . . . Boomlet developing to have **Clare Boothe Luce** run for Sen. **Carl Hayden**'s seat next year. . . . In Missouri, **R. Crosby Kemper**, a Democrat "by tradition," announces his candidacy for GOP nomination for U.S. Senator. Kemper, a conservative, would oppose Liberal Sen. **Edward Long**, who was named to Senate to fill out term of the late **Thomas Hennings Jr.**

Informed Latin American sources say U.S. Ambassador to Venezuela, **Teodoro Moscoso** (nicknamed in Caracas *el portorí-yanqui* since he is a native of Puerto Rico), had promised Venezuelan authorities the deportation of former dictator **Pérez Jiménez** would be "arranged" by last August. (It nearly was.) . . . Man behind the throne in Brazil reputedly is **Brazilo**, a brother-in-law of President **João Goulart**, who is well known for his rabid anti-Americanism, e.g. a recent speech: "[America owes us aid] because a significant part of the riches accumulated in the United States is from the labor of our people."

Rep. **Howard Robison** (R., N.Y.) notes (ruefully) that while the Ten Commandments took only 297 words, the latest federal ukase on the price of cabbages took 26,911 words of the worst.



proposal is that the United States declare that if the UN votes to admit Red China, our government will, from that moment until the action is revoked, suspend its political and financial support of the UN."

In the October *Reader's Digest*, Admiral Arthur Radford, former Chairman of the Joint Chiefs of Staff, states the unanswerable arguments of fact and experience for the same unclouded view. "The membership of the UN must be told," he concluded, "that this is 'either-or'—they can have either Red China or the United States as a member, but not both."

The logical next step is to present this clear and sufficient Goldwater-Radford proposal before Congress, for adoption as a Joint Resolution.

## What Happened in Germany

In the September 17 West German general election, Konrad Adenauer's Christian Democrats lost 40 of their 291 previously held seats, and thereby their majority, in the Bundestag. The Social Democrats, under the leadership of Berlin's Mayor, Willy Brandt, got 36% of the vote, and lifted their holding 22 seats to a total of 190. The sharpest percentage rise was made by Dr. Erich Mende's Free Democrats, who, with 13% of the vote, got 66 seats, for a gain of 23.

The West Germans don't have much to complain about, so the major political parties have naturally tended to become similar in program. What party would want to campaign against obvious success? Last year the Social Democrats officially repudiated Marxism, and the Free Democrats softened their somewhat chauvinist, anti-NATO line in foreign policy.

Differences in tendency remain, of course. The Free Democrats—who have acquired powerful leverage, since the Christian Democrats cannot muster a majority without their votes—are on domestic economic matters rather more strictly free enterprisers than the Christian Democrats. They are admirers of Economics Minister Ludwig Erhard, who has had his quarrels with his Chancellor. Their supporters include some of the military, the formerly aristocratic, and the Ruhr industrialist groups that incline toward a German nationalism which has traditionally aimed at "flexibility" and maneuvering between eastern and western Europe for Germany's maximum benefit. Though undoubtedly anti-Communist, they are not anti-Russian. (One should not forget the Hitler-Stalin Pact.) As the price of their support for a Christian Democratic government, they want Adenauer to retire, and Erhard to become Chancellor.

The election results seem to indicate: 1) a general satisfaction with West Germany's domestic course; 2) some degree of weakening morale in confronting the external Communist threat, resistance to which was best symbolized by Adenauer; 3) a feeling—doubtless increased by last year's personal squabbles—that Adenauer is getting too old and ought to step aside for younger

## • At Home •

*United Nations, New York*

"By resigning," Dag Hammarskjöld once said after Khrushchev had called on him to do just that, "I would throw the organization to the winds." The late Secretary General of the United Nations possessed an almost stethoscopic ear for the internal signals of his organization. His prediction has come true, as anyone can see who cares to pay a visit to the hollow geometries on the East River.

It is the day after Hammarskjöld's death, and the General Assembly is to meet at 3:00 P.M. for its opening session. By early afternoon there is no more space in the press booth. Outside there are policemen, spectators, and the signs of mourning: the United Nations flag is at half mast, and the flags of all the member nations are not only drawn but taken entirely off the poles. That long line of barren flagpoles makes one wonder. Is it not enough that the nations show their respect by flying their colors at half mast? Or is this unorthodox withdrawal of their colors the symbol of the fear that they may even cease to be, unless another Hammarskjöld rises up to guide them?

Or is the more ominous hypothesis true—the hypothesis that the Soviets, when asked to fly their flag at half mast, refused to do so, and that the Secretariat then asked all nations to hide their colors for a day to avert the open display of scandalous dissension?

If this is the meaning of the gesture, one asks, is the UN then truly thrown to the winds? No. The UN will continue to operate.

The Assembly meets at 3:22 for a moment of silence, a moment of elegy, and a moment of organizational business—which turns out to be a vote to adjourn, three minutes later. Will the Soviets push their plan for a three-man Secretariat? Will Khrushchev come to New York? Will President Kennedy threaten to withdraw unless his plan is accepted?

**Moments later**, the Delegates' Lounge has filled up. That short, unprepossessing, pallid man who hurries by, smiling and shaking hands with bystanders, is Mongi Slim of Tunisia. "Probably he's the next President of the Assembly and also the next Secretary General, at least for the interim," says the professional observer. Is he pro-Western? "Well, no, but he's not pro-Soviet. Really a very affable fellow. And smart." In the Delegates' Lounge the talk turns to that mystical news dispatch describing the meeting between Tshombe and Hammarskjöld—the meeting that never took place. Was it another piece of planted UN propaganda? A lazy reporter's fabrication? A canned dispatch ticked off ahead

of time? No one seems to know. And Hammarskjold's plane, was it sabotaged? "A very regrettable accident."

By four o'clock, while the newspapers on the street grind out their stories of the gloom and solemnity of the first session, the Delegates' Lounge roars with talk, laughter, and the tinkling of cocktails. Over there in the corner stands Rajeshwar Dayal, tall, gorgeously turbaned, cheerfully discussing with his friends the mission Hammarskjold sent him on: the UN's initial assault on orderly government in the Congo.

If the Soviets push for their three-man scheme, will they have their way? "No, everyone knows it won't work; history teaches us that." Well then, will the UN find another Hammarskjold, another man eager to grasp and wield the power of his office, and will the UN grow ever stronger, more intervention-minded? "It all depends on the Afro-Asian bloc." Why on them? "They have forty-six votes." Next question?

Will Red China be admitted? "It all hinges on the Afro-Asian bloc." Will the Soviets use the admission of Red China as the price for relinquishing their three-man scheme? "It is hard to say." And who is responsible now for the command of UN troops in the Congo? No one seems to know.

Informed observers believe that the present predicament of the UN will not lead to a revision of the Charter, because the Soviets may veto any revisions. But if the UN cannot function under its present Charter and cannot revise its charter, is the UN then indeed dead, thrown to the winds?

**No, the UN will continue** to exist. The Soviet Union wants it, knowing what its interests are, and so does the West, not knowing what its interests are. Now that the fog that was Hammarskjold has dissipated, the little nations can see once again the opposing camps of the East and the West, and the little nations and the West do not like to see such things too clearly. If the Soviets adhere to their now classic tactics, they will invent new demands, add pressure to pressure—piling Berlin on top of Red China, mixing in the three-man Secretariat scheme, adding a pinch of Southeast Asia—until the West and the little nations have reached the breaking point, at which they will agree upon a new Secretary General who will, as a condition of Soviet approval, emit another foggy obscuration of the major conflict, this time over a battle area that will represent a withdrawal from our previous position.

The West has lost another opportunity to gather its forces. For, in asking whether the UN shall continue to exist, it has asked the wrong question. The proper formulation is, Will there be a UN, or will there be a Free World? There cannot be, if the UN continues in its present course for long, both.

QUINCY

men; and 4) a skepticism about the qualifications of any political grouping, which has grown in many Western nations, and leads the electorates to render "inconclusive" voting verdicts that do not give a "clear mandate" to anyone. Cf. the result, a few days before the German election, in Norway, where the voters did to the long ruling socialist Labor Party almost exactly what the Germans did to the anti-socialist Christian Democrats. Cf., for that matter, what we American voters did last November right here at home.

**BRIEFS:** Congress beginning to react to Communist world threats in concrete fashion. In past fortnight: the House voted to set up five-man committee to determine whether U.S. exports are increasing Russia's military strength; the Administration announced it was shelving Polish request for additional economic aid; the House approved (369 to 2) a bill requiring the Post Office to notify the public that Soviet and satellite propaganda is pouring in through the mails; the House (over State's protest) approved measure to prohibit interstate shipment of goods coming from or going to Cuba (cigar smokers watch out).... **GOP strategists, who now feel Pres. Kennedy will make important concessions on Berlin, planning to build Administration softness on Communism as No. 1 campaign issue next year.**

Love-thy-neighbor (Nikita-style): About this time of year, north China is enveloped by what is called "Peking dust," a six weeks' period when prevailing winds blow dust and sand from Gobi desert over China. The sands will come from areas where Russia has been conducting latest nuclear tests.... *Die Transvaler*, Johannesburg newspaper, comments that with "strikes in Liberia, a state of emergency in Ghana, unrest in Kenya, sabotage in Rhodesia and Nyasaland," the UN struck at Katanga, one of few African states in which order prevailed.... **South Africa, incidentally, is negotiating with France for Mirage jet fighters and several hundred small tanks.....** Cuban sources report the four central cell blocks in the Isle of Pines prison have been mined and, presumably, will be blown up in the event of an invasion.... **The barbed wire being strung along the East Berlin border was sold to East Germany by a West Berlin firm.**

The *Times* of London makes this distinction: "The difference between non-aligned and neutral is that non-aligned countries are characterized by leaders who keep their valuables in neutral country banks."

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## • Trends •

**Is Uncle Sam insolvent?** Sober central bankers overseas increasingly ask themselves that question. For they take seriously, if Washington does not, the danger of the dollar becoming a second-rate currency.

It's clear to all, except as usual the American public, that the alarm bell rung by last year's heavy gold outflow has brought no deep or lasting reform of U.S. policy. Despite one-shot boosts, such as pre-payment of foreign loans, the U.S. is still plagued by a serious and perhaps worsening balance-of-payments problem. Hence, until that problem is truly faced and mastered, devaluation of the dollar is quite conceivable. Equally conceivable is the collapse of the West's monetary system.

The danger that worries Europeans is scarcely theoretical. Consider the recent warnings of one of the West's most respected economists, Jacques Rueff of France: "A grave peril hangs over the economy of the West. Every day its situation more and more resembles the one that turned the 1929 recession into the great depression. The instability of our monetary system is such that a minor international incident or a small economic or financial disturbance could set off world-wide disaster."

This grave instability, ironically enough, arises from the dollar's seemingly unshakeable soundness in the years after World War II. The dollar has served as the foundation of the West's postwar economic resurgence. Since the world abandoned the gold standard, the dollar backed by gold has stood in place of bullion. Indeed, under the "key" currency system by which the world's money is managed, foreign governments and central banks count their "good as gold" paper equally with actual gold reserves. They create new currency against dollar reserves; a dollar held by, say, the Bank of France is the reserve against which several new francs are issued. An idea of the pyramid dollars support may be drawn from the fact that some \$11 billion was held by governments and central banks overseas at the end of 1960.

Now, the U.S. gold reserve must do domestic duty, too. By law, the outstanding currency and deposit liabilities of the U.S. Federal Reserve Banks must be backed by a 25% gold reserve. Since these liabilities are well over \$45 billion, this means that some \$11.3 billion of the \$17.2 billion total U.S. gold stock is "frozen." That leaves only \$5.9 billion of gold with which to meet the claims of foreigners holding dollars, for, it must be remembered, a dollar outside the U.S. is redeemable on demand in gold. By ignoring the 25% reserve requirement, the U.S. could muster its whole gold reserve to check a run on the dollar—indeed, President Kennedy left no doubt he would do precisely that during last spring's flareup of speculation against the dollar.

But some \$20 billion is already in foreign hands, and Administration spending overseas sends the total higher every day. Even if the U.S. were to deplete Fort Knox, hard-headed foreign bankers know that \$17.2 billion in

gold cannot redeem \$20 billion of notes promising payment in gold.

The U.S. is caught in a "banker's risk." Once, when other nations and currencies were weak, the risk could be taken lightly. What dollars were not used to buy U.S. goods, we confidently assumed, would be used to restore depleted reserves. The thought of anyone wanting gold instead of dollars was preposterous. And so the U.S. let its international ledger go permanently in the red, piling up a total balance-of-payments deficit of some \$18 billion in the years between 1950 and 1960.

But the world is not what it was ten or even five years ago. Other nations and currencies are strong—so strong, in fact, that they are alarmed by the risk-taking of the world's banker. Gold-conscious Europeans especially, who know inflation as Americans do not, see the Kennedy Administration dismissing the perils raised by past inflation and plunging into fresh excesses. Washington seems almost unaware that the U.S. has overdrawn its account; as the overdrafts pile up, the temptation is mounting among hard-money men to get to the bank before the pack.

Doubts of our solvency are particularly strong in the six Common Market countries. Unsentimental bankers are profoundly skeptical of leaving the structure of their prosperity on such a shaky foundation. The Six are the chief holders of dollars; they are also backed by some \$16 billion in gold, the largest holding outside the U.S. As the economic integration of the Common Market proceeds, the Six are likely to desire a sturdier foundation. Already, there are blueprints for a pooled gold base, a federal reserve system and a common currency.

**Such economic integration** is still far off. Similarly remote is the likelihood that everyone holding dollars will turn up tomorrow and demand gold. But the pyramid is balanced precariously. A little push, as M. Rueff fears, could put the smell of panic in the air, and bring down everything.

Even if there is no push or bump, the peril can grow out of Washington's drift and indiscipline. Official U.S. thinking favors such half-measures as tinkering with the International Monetary Fund (IMF), so that money-managing mechanisms designed for short-term emergency are used to ease permanent, deep-seated ills. One plan would permit IMF members to count their quotas (currency on deposit) as part of their own foreign exchange reserves and would liberalize drawing and borrowing privileges. Under this scheme, U.S. reserves would swell overnight by \$5.7 billion.

Yet all it would really mean is a little more time in which to solve, if we would, the fundamental problems no pain-killer can touch. Washington shows no willingness to take the cure by sharply cutting overseas spending and breaking with the outmoded dollar-reserve system. Instead, it is sleepwalking toward disaster, and it is no surprise that alert Western bankers are wary of being led by the blind.

RICHARD WHALEN



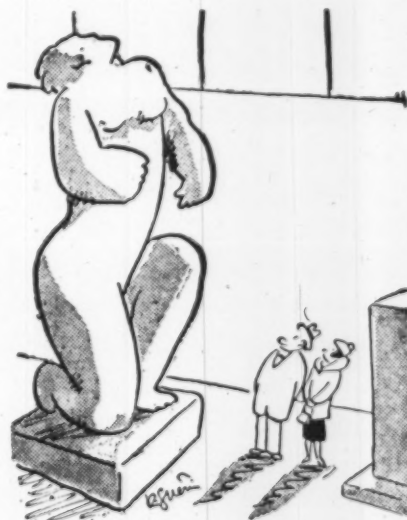
## • Abroad •

X - - - . At last month's secret interview, Jacques Soustelle was asked, "Hasn't General de Gaulle taken a very firm position against the Soviet Berlin operations?" Soustelle replied: "Certainly. That follows from his conception—in my opinion chimerical—of a French hegemony in Europe based on the alliance with West Germany. But what does the defense of Berlin mean if we let the Soviets get control, through intermediaries, of Algiers and Oran, from where they will threaten France, Italy and Spain? In 1953 we were told that we had to give up Indochina in order to defend Africa; now, that we must give up Africa to defend Berlin. When will it be the moment to give up Berlin to defend Strasbourg; and then Strasbourg to defend the suburbs of Paris, or Perpignan? The obvious truth is that western Europe, deprived of its African glacis, is not defensible in our epoch. . . . The Kremlin knows that by getting control of Africa it would neutralize Europe. It is the fate of the Free World that is at stake in Algeria. If the Free World doesn't understand this—as in 1938 it failed to understand that by handing Czechoslovakia to Hitler through the Munich agreement it was opening the gates of war—then it will suddenly find itself thrown on a precarious, even desperate, defensive, because western Europe will be completely encircled from the Baltic to the Straits of Gibraltar."

**Copenhagen.** Two subjects were paramount at the closed and unpublicized sessions of Interpol (the international police organization). The first was the massive threat of counterfeit currency as a result of remarkable new technical methods that baffle the routine of detection. No one knows how much counterfeit money—some of it a Communist product—is now afloat. The police experts want all major nations to shift suddenly to special new kinds of bills. The second crucial subject is the police problem posed by the increased speed of international transport. A criminal, jewel, negotiable security, or painting can be half way around the world before a crime is even known about.

**Tokyo.** Salt deserts have a very hard surface, on which motor vehicles are driven without difficulty. (Indeed, the Bonneville, Utah, salt flats are used for world's record automobile speed runs.) This well-known fact suggested to some Japanese engineers that a road could be built merely by treating a strip of land with a salt solution. This turns out to be the case. Roads so built can easily handle light traffic (up to about 400 vehicles daily), do not disintegrate even in heavy rain, are free from grass and weeds, and can be maintained by further salt treatments a couple of times a year. This exceedingly simple method of construction is much cheaper than any other, and seems well adapted to the road network expansion that is so critical for the growth of the underdeveloped nations.

**São Paulo.** From a student at the University: "... The political situation is settling down to a slow boil. If the southern provinces can cool off, things will get a semblance of stability for a while. But only for a while—i.e., two or three months. The beautifully typical Portuguese-Brazilian compromise—changing the form of government—is out of date. We are no longer living in an age of compromises, and the Goulart-leftist power bloc vs. the Lacerda-rightist bloc cannot live in peace for too long. There are too many important issues to fight about. Our basic inconveniences here were the inability to draw cash out of the bank and the suspension of classes. The municipal authorities shut us up as a preventive measure the first Friday and Saturday, and the rest of the time 'we' have been on strike, protesting the unconstitutional treatment accorded to Jango [Goulart]. Actually, there is more ideology than personality involved, because most of the students are not too sure about Jango, and distrust him. The cops are really quite rough on people. They threw the whole University student organization in jail for a while and whenever a labor leader talks too much he gets similar treatment. The entire organization 'representing' all the secondary school students was likewise given the heave-ho into the jug. And you ought to have seen what they did to some of the Rio papers. One came out with a front page completely blank except for three small, innocuous, lonesome articles."



Carrefour

"At least they don't have to insure it against theft."

**Peiping.** Field Marshal Lord Montgomery has been visiting Communist China, for the second time. A few nights ago, he dined with Marshal Chen Yi, now Peiping's foreign minister. The two comradely old soldiers—Mao's right-hand man and General Eisenhower's former deputy commander—joined in underwriting three principles to resolve world tensions: 1) there should be just one China, recognized by everyone; 2) there should be two Germanys, recognized by everyone; 3) all armed forces everywhere should withdraw to their own national territories.

## • The Investor •

**Production is the key** to a better standard of living in every nation of the world. Cuba's Castro is finding out that mere confiscation of property does not add to production of the basic wants of the people. Only a rising stream of goods from manufacturing plants and agricultural plants can raise the living standard. Redistribution of wealth is self-defeating unless growth in over-all production follows.

When I was in London this summer, I visited Parliament when the Common Market was the subject of acrimonious debate. The big drama in the House of Commons was merely the focal point of the larger drama which is taking place in Britain's economic life.

The common thread which ran through the conversations of British corporation executives with whom I talked was the nation's inability to compete effectively in world markets and the necessity of successful competition to increase or even to maintain present standards of living in Britain. These English businessmen, without exception, were convinced that the low productivity per man-hour in Britain stemmed from the tariff-protected home market. The Commonwealth has largely supplied raw materials and agricultural products to the mother country, and Europe has not been able to export to England unless it could surmount tariff barriers.

A protected domestic market encouraged growth of one of the most "advanced" welfare states of the Western world. In the meantime German and French and Italian productivity per man-hour burgeoned and progressively invaded many of Britain's overseas markets.

The Macmillan government has attempted to stem the adverse trade balances by raising interest rates, restricting hire-purchases and resisting wage increases for public servants. Such measures are stop-gap and the Macmillan government recognizes that this is so, which explains its present desire to join the Common Market.

**Britain historically** has carefully avoided becoming a partner in Europe. It has stood aside and profited from conflict between European powers.

To attempt abandonment of this centuries-old tradition has taken much political courage. Even though it appears that Britain has the choice of meeting economic reality or dying, it is politically easier to die gradually than to take measures which are bound to modify the direction of the welfare state. The Conservative Party may suffer politically in its attempt.

My businessmen friends and acquaintances state that becoming a part of Europe's Common Market must open wider England's markets to Germany and France and Italy. In so doing, Britain's manufacturers must meet the prices of goods manufactured in these European countries. Meeting these prices will require greater productivity per man-hour by the English worker, and increased productivity must inevitably result in some modification of

the welfare state which has wrapped English workmen in a cocoon of benefits, despite minimum effort.

**President Kennedy**, in his February message gave emphatic recognition to the necessity for radical change in our antiquated and backward depreciation laws and Internal Revenue Bureau rules.

Yet when it came to placing the full power of the President's office behind legislation to implement his expressed views, he retreated into silence. He chose instead to demand more federal aid for education, additional social security legislation, increases in old age benefits, a higher minimum wage, and congressional delegation of foreign aid expenditures to the President for a period of five years.

The United States, as well as Britain, must compete effectively in world trade if we are to continue as a major world power. Without economic competitive strength, as well as military strength, we are on the way out.

A realistic depreciation policy and law are not merely desirable. They are a *sine qua non* if we are to continue a major world force. This is no exaggeration, it is a basic economic truth.

We must be able to compete on a price basis in world trade. We cannot do so without at least as highly productive machinery and plant as other nations possess. We don't have them now and we can't have them until we give incentive, at least as great as that given by other countries, to replace obsolete facilities with the most productive machinery and plant available.

Our tax laws place a premium on keeping obsolete machinery, since repair and maintenance are fully deductible, and therefore recoverable in the year of expenditure. In contrast, much new machinery and plant, under our income tax laws, is recoverable only over an extended period of years. It is understandable, under present tax laws, that industry repairs and maintains obsolete machinery year after year after year rather than replace it.

According to newspaper reports, the first order of business of the new Congress in 1962 is a tax bill which will deal with industrial depreciation. One can only hope that this will be so. The disappointment of 1961 leads one to be less than sure.

Perhaps the Administration is hoping the current surge in business activity will proceed rapidly and produce a boom by next spring. Should most industries by that time be operating at close to capacity, capital goods industries will then also boom. Much programmed replacement of obsolete machinery then will be implemented.

We cannot indefinitely escape the folly of having the most backward depreciation policies and laws in the Western world. Increased productivity, not redistribution of static production, is required to achieve continued growth in living standards. And a growing standard of living for its people is a requirement today for any major power.

NORVIN R. GREENE



